

**ALBERTA AGRICULTURE,
FOOD AND RURAL DEVELOPMENT**

DATE: January 22, 2003

**FACSIMILE (FAX)
MESSAGE**

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TO: COOL Program
AMS, USDA

FAX # 202-720-3499

SUBJECT: Doc. No. LS-02-16

NUMBER OF PAGES: 4 (EXCLUDING THIS COVER PAGE)

SENDER'S COMMENTS:

Government of Alberta's comments
on Doc. No. LS-02-16 Notice of Request for
Emergency Approval of New Information Collection.

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January 22, 2003

Mr. A.J. Yates
Administrator, Agricultural Marketing Services
Country of Origin Labeling Program
Agricultural Marketing Service,
United States Department of Agriculture (USDA)
STOP 0249, Room 2092-S
1400 Independence Avenue SW
Washington DC 20250-0249

Dear Mr. Yates:

Re: Doc. No. LS-02-16 Notice of Request for Emergency Approval of New Information Collection

These comments are in response to the USDA's requests for comments on the need for record keeping under the Country of Origin Labeling (COL) provisions of the Farm Security and Rural Investment (FSRI) Act of 2002 and on the accuracy of the USDA's estimate of the cost of record keeping.

The Government of Alberta is fundamentally opposed to the mandatory COL provisions of the FSRI Act. No matter how carefully implemented, the COL provisions will unnecessarily disrupt trade between our two countries, strain Canada-US trade relations and appear to be inconsistent with US international trade obligations. Indeed, it is ironic that while it is involved in regional and multilateral negotiations to liberalize trade in agriculture and food, the US is introducing a measure that will restrict such trade.

Notwithstanding this opposition the Government of Alberta wishes to make the following comments regarding the record keeping aspects required to fulfill the COL provisions of the FSRI Act.

1. Need for Records

Any labeling program must include records to establish the validity of the information on the label. This is especially true for the COL provisions of the FSRI Act. The FSRI Act states that only meat from cattle, hogs and sheep that are exclusively born, raised and slaughtered in the United States (US) may be labeled as "Product of the US". This definition requires that each step of an animal's life (birth, raising and processing) must

be known in order to establish eligibility for meat from such an animal to be labeled as a "Product of the US". Clear, verifiable records are necessary to establish eligibility for a "Product of US" label and to give credibility to such a label.

2. Accuracy of USDA Cost Estimate

The USDA published an estimate of the first year costs of establishing and maintaining records to meet the COL requirements of the FSRI Act in the Federal Register of November 21, 2002. The USDA estimated this cost to be US \$1,967,750,000. The Government of Alberta, along with other interested parties, commissioned Sparks Companies Inc to assess the accuracy of the USDA's cost estimate. The results of this research are presented in the attached table.

The research used a sector based, additive approach to developing a cost estimate. This approach resulted in a smaller number of operations affected by COL but does support the methodology used by USDA. The result of this research is an estimate of US \$509,000,000 to establish a record keeping system and an annual maintenance cost of US \$1,291,000,000. These sum to a first year cost of US \$1,800,000,000. This estimate is similar to the USDA's estimate and confirms that there is a substantial cost associated with the record keeping necessary to comply with the COL provisions of the FSRI Act.

The research also compared the COL provisions of the FSRI Act to state country of origin labeling laws, including those of Florida, Idaho, Maine and Mississippi. No reference in any of these state laws mandates a requirement for record keeping to provide proof of origin. The rigid definition of US origin (born, raised and slaughtered) and the requirement of an audit trail make the COL provisions of the FSRI Act much more costly than those of state laws.

Record keeping is only one cost associated with COL. Additional costs include enforcement and segregation of animals and products at the processing level. It is likely that processors and retailers will need to make capital investments, such as additional storage space to ensure segregation of products. Another cost will be the extra time required to ensure that information about the country of birth and rearing accompanies an animal through the marketing chain. As an example, sellers of cattle at an auction market will have to ensure that information that satisfies COL requirements is transmitted to buyers. This will add time and paperwork to such a transaction and increase the costs of buying and selling animals. The high costs associated with record keeping indicate that such costs will be considerable.

3. Ways to Enhance the Utility of Records

While the Interim Guidelines issued by the USDA outline the need for records they provide little information on the types of records required. This is of particular concern regarding records establishing that an animal was born and raised in the US. The utility of the guidelines would be improved by indicating what type of records would constitute

an auditable record trail that establishes an animal's eligibility for a "Product of US" label.

4. **Ways to Minimize the Burden of Record Keeping**

Given the rigidity of the definition of US origin – born, raised and slaughtered in the US – the Government of Alberta cannot see how a burdensome record keeping system can be avoided.

The Government of Alberta regards record keeping as essential to establish eligibility for a "Product of the US" label and to give credibility to the COL program. Such record keeping will be burdensome and costly. COL will result in costs beyond record keeping. These costs are likely to be substantial and will add no value for consumers.

Although we are pleased to offer these comments on the need for record keeping to comply with the COL provisions of the FSRI Act, the Government of Alberta remains opposed to mandatory COL. We are convinced that mandatory COL will result in substantial costs to the North American livestock industry without providing any added benefit to consumers. We strongly urge Congressional representatives to reconsider the legislation with a view to repealing the COL provisions of the FSRI Act.

Sincerely,



Dr. Joe Rosario
Executive Director, Policy Secretariat
Alberta Agriculture, Food and Rural Development



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RECORD KEEPING TIME AND COST ESTIMATES

Type and Number of Operations	Time Allocation (Hours/Op/Year)	Labor Rate \$/Hour	Cost Estimate (Mil \$/Year)
Cow-Calf/Backgrounders	8(I)	20.00	168
1,050,910 Operations *	12(M)	20.00	252
Feedlots	16(I)	50.00	75
94,110 Operations *	26(M)	25.00	61
Hog Operations	16(I)	50.00	60
75,350 *	26(M)	25.00	49
Sheep Operations	8(I)	20.00	10
65,120 *	12(M)	20.00	16
Commercial Fish/Shellfish	16(I)	25.00	24
60,000 Operations ***	26(M)	25.00	39
Packers/Processors/Distributors	16(I)	50.00	80
100,000 Operations ***	52(M)	50.00	260
Retailers	40(I)	50.00	62
31,143 Operations ***	365(M)	50.00	568
Vegetables	8(I)	25.00	11
53,641 Operations **	12(M)	25.00	16
Fruits	8(I)	25.00	17
85,973 Operations **	12(M)	25.00	26
Peanuts	8(I)	25.00	2
12,221 Operations **	12(M)	25.00	4
ANNUAL	16.2 Million (I)		\$509
TOTAL 1,628,468 Operations	38.2 Million (M)		\$1,291
	54.4 Million 1st Year		\$1,800

(I) Initial Year Startup

(M) Annual Maintenance

* Cattle Inventory Report, January 1 released on February 1, 2003 by National Agricultural Statistics Service (NASS), Agricultural Statistics Board (ASB), USDA.Cattle on Feed Report released on February 15, 2002 by NASS, ASB, USDAQuarterly Hogs and Pigs Report released on December 30, 2002 by NASS, ASB, USDASheep and Goats Report released on February 1, 2002 by NASS, ASB, USDA

** 1997 US Census of Agriculture

*** Based on AMS Filing